

CONSUMER: Lodging

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Reasons for this report

- ✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR +26.2% y/y last week. +4.4% vs. 2019. Very easy Omicron y/y comp; a bit softer vs 2019

Overall U.S. RevPAR was +26.2% y/y for the week ending 1/21/2023, per STR, down from the prior week's result of +33.1% y/y. Both weeks reflect STR's new reporting methodology (Las Vegas added). Last week was a very easy y/y comp due to Omicron. The 2019 comparison seems a bit soft to us (both weeks had MLK Day).

- We highlight below what we see as some soft occupancy in the y/y result vs. December's y/y result. The +4.4% RevPAR result vs. 2019 was lower than the trailing 10-week average of +12.9%, likely due to softness in the corporate segment.

Last week's results continue to show somewhat challenging results versus 2019, particularly on midweek full-service (a proxy for business travel, both transient and group). Group was quite soft versus 2019 despite MLK Day in both the 2019 and 2023 comparisons; as noted below Transient did not have as material of a w/w sequential change. We continue to stay attentive to weekly results.

As a reminder of important STR methodology changes: STR has commenced new methodology as of 1/1/23, including Las Vegas being included in the top 25 markets, replacing Norfolk/Virginia Beach. Additionally, STR has revised methodology for non-participating hotels and separately for estimating performance of Las Vegas casinos and Walt Disney World hotels. Summary impact to U.S. industry RevPAR and classes (including independent hotels) is presented below for reference. There is greater impact to higher-rated chain scales, independents, Top 25 markets, Las Vegas Strip as a STR submarket, and Orlando (both the STR market and the Lake Buena Vista STR submarket). **We will be evaluating the changes to the data over time including implications to weekly RevPAR results and changes y/y and versus 2019.** Please see the PDF version of this note for higher-quality graphics.

U.S. Industry Data Impact

The new process provides a larger range of values for properties that do not submit data weekly or monthly. Las Vegas Strip and Walt Disney World non-participants utilize a different process.

Based on 20 years of historical data (2000-19), several key differences emerged when comparing the new methodology with the previous.

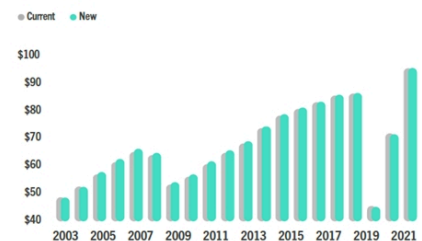
- Industry revenues increase \$968 million per year
- RevPAR increases an average of \$0.54 per year
- The change in revenues and RevPAR is driven entirely by ADR, which is up an average of \$0.88 per year.
- Upper Upscale, Upscale, and Independent chain scales see the largest impact. Upper Upscale and Upscale revisions are largely because of Walt Disney World Resorts. Independent revisions are from the new non-participant methodology and changes to Las Vegas Strip casino hotels.
- Excluding Walt Disney World hotels, and the individually modeled Las Vegas casino hotels, industry RevPAR would decrease an average of \$0.34 per year.

U.S. industry RevPAR

Difference Between Methodologies



RevPAR

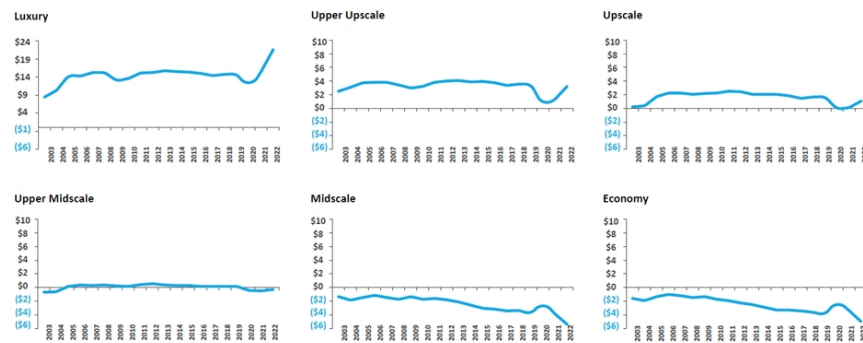


STR, 2022 © CoStar Group

Source: STR/CoStar

Luxury class RevPAR up \$13, other classes less affected

U.S. class RevPAR, new less current



STR, 2022 © Colliers Group

Updated U.S. Non-Participant Data Week Ending December 2022 7

Source: STR/CoStar

Major RevPAR statistics presented below:

- Luxury RevPAR: +34.2% y/y and -0.1% versus 2019;
- Upper Upscale RevPAR: +52.1% y/y and -6.4% versus 2019;
- Upscale RevPAR: +30.5% y/y and +0.1% versus 2019;
- Upper Midscale RevPAR: +18.0% y/y and +7.4% versus 2019;
- Midscale RevPAR: +9.2% y/y and +11.5% versus 2019;
- Economy RevPAR: +2.3% y/y and +15.3% versus 2019;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +21.4% y/y and +7.8% versus 2019; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +79.4% y/y vs. +129.4% prior week; versus 2019: -18.7% vs -2.2% prior week.
 - Transient: +27.4% y/y vs. +38.4% prior week; versus 2019: +9.1% vs +14.3% prior week.
- Las Vegas RevPAR: +37.2% y/y and -10.2% versus 2019.
 - **As a caveat, we note that many large Strip casino hotel operators do not participate in STR's survey.**

Last week's RevPAR details and sequential trends (all comparable information on new STR methodology):

- Headline RevPAR was +26.2% y/y vs. the running 28-day average of +19.6% y/y.
- **Occupancy:** Absolute occupancy was 54.2% vs. 52.5% for the running 28-day average.
- **Absolute Group occupancy:** 18.0% last week vs. 13.4% for the running 28 days.

We see a mixed bag for demand/pricing/supply trends for the lodging companies at the moment. Similar to the past year in lodging (and most) stocks, we see “macro over micro” at the moment. We see the main driver/wildcard coming from the economic impact from interest rates and inflation (and perhaps more importantly investor sentiment around these). While the risks from COVID are not zero (e.g. China reopening impact to the worldwide economy and outbound Chinese travel), covid issues are now secondary to macroeconomic considerations for most investors and for public company executives. We see **Hyatt** as the relative outperformer in our lodging coverage universe for a host of reasons, including continued Caribbean/leisure outperformance and upcoming accretive asset sales. Leisure travel demand and pricing continues to show significant strength going into 2023, a positive read-through for all-inclusive resorts (Buy-rated **PLYA, H**) and Vacation Ownership (Buy-rated **BVH, HGV, TNL, VAC**), and Wellness (**OSW**, Miller). While we have three buy-rated Lodging REITS, (**PK, RLJ, RHP**), we have a neutral to cautious view on the Lodging REIT sector, with hold-rated **DRH, HST, PEB, and SHO**, a view driven by potential downside pressures on revenues and particularly on operating profit margins.

Companies Mentioned in This Note

Bluegreen Vacations Holding Corporation (BVH, \$30.85, Buy, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$9.34, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$112.11, Buy, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$46.33, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.25, Hold, C. Patrick Scholes)
OneSpaWorld Holdings Limited (OSW, \$10.39, Buy, Gregory Miller)
Pebblebrook Hotel Trust (PEB, \$15.40, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$13.69, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$7.20, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$88.59, Buy, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$11.96, Buy, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$10.67, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$156.60, Buy, C. Patrick Scholes)

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